

**Opening Statement of Chairman Davis
Committee on Government Reform**

**June 22, 2003 at 2:00 p.m.
2154 Rayburn House Office Building**

The Paperwork and Regulatory Improvements Act (H.R. 2432)

Good afternoon and thank you for coming. The purpose of today's hearing is to discuss H.R. 2432, the "Paperwork and Regulatory Improvements Act of 2003." This bill is the result of much hard work and effort by Subcommittee Chairman Doug Ose as well as Vice Chairman Bill Janklow. I thank them for their untiring commitment to the oversight and improvement of the nation's regulatory regime. Through multiple hearings, Chairman Ose's Subcommittee has established a substantial record for the need for this legislation.

The true cost of government is not just the amount government spends. It is also the costs to the economy of the regulatory burden, which consists of two components: the cost of paperwork requirements imposed on private entities to comply with government reporting requirements and the dollars lost from economic activity that, but for the regulations, would have occurred. The Paperwork and Regulatory Improvements Act is designed to aid Congress's ongoing efforts to rein in the growing paperwork and regulatory burden on this nation's citizens and small businesses. Despite Congress's long history of attempting to identify the costs of these requirements on Americans, Congress and the public still do not have accurate and timely estimates of what each program and rule will cost the people from whom we require compliance.

It is time to be honest with America about the costs of the programs we demand. The OMB has estimated that the cost imposed on the public for all government-required paperwork is \$320

billion a year, which does not include the cost of the underlying regulations for which the paperwork is required. One of our witnesses today, Fred Smith of the Competitive Enterprise Institute, cites an estimate of the annual cost of Federal regulation as high as \$860 billion. These costs amount to an invisible tax on the nation, for which there is, at present, no effective way for Congress to decide whether these costs are justified. As a result, it is very difficult to hold anyone accountable for the costs of regulations. It is time to turn the lights on and look at the whole cost of a rule or program. H.R. 2432 does this by establishing pilot programs for regulatory budgeting in at least five agencies.

The bill also provides relief from paperwork requirements and improves current regulatory accounting reporting. There is no justification for the exemptions from paperwork reduction and regulatory due process requirements in the Farm Security and Rural Investment Act of 2002. Those exemptions are eliminated. Also, OMB is directed to dedicate two full time staff to the source of over 80 percent of paperwork – Internal Revenue Service paperwork.

The bill requires agencies to submit to OMB annual estimates of costs and benefits of rules and paperwork in each of their programs and coordination and integration of its regulatory accounting statement within the President's budget. Such coordination and integration will provide Congressional decision-makers more information at the point where it is most useful - when the decision to appropriate funds is actually being made.

Finally, under the bill, Congress will be able to turn to the General Accounting Office for an

independent evaluation of significant rules issued by Federal agencies. Such an analysis will enable Congress to conduct stronger oversight of the exercise of Federal regulatory power.

It is time for Congress to ensure it has the tools to fulfill its constitutional responsibility to control undue burdens imposed on the American public by agency rulemaking. Better information and analysis of the impacts of such rules will make agencies more accountable to the Congress and the public.

I thank Chairman Ose for his leadership on these issues. We hope to build on that good work today. I look forward to the testimony from our expert witnesses.